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**TESTIMONY OF THE CHAIRPERSON
OF THE BOARD OF LAND AND NATURAL RESOURCES**

On Senate Bill 3092, Senate Draft 1 – Relating To Social Security Number

**BEFORE THE HOUSE COMMITTEE ON
JUDICIARY**

March 27, 2008

The Department of Land and Natural Resources (Department) supports the provisions within Senate Bill 3092, Senate Draft 1, an Administration bill which proposes to require only the last four digits of an individual's social security number on judgments, court orders or decrees submitted to the Bureau of Conveyances for recording. The Department does however, respectfully request that this measure be amended to restore its effective date to "upon its approval".

Current statutes require that each judgment, order, or decree of a state court or United States District Court must contain or have endorsed on it, the social security number, the Hawaii Tax Identification Number, or the Federal Employer Identification Number for persons, corporations, partnerships, or other entities against whom the judgment, order or decree is rendered, before such instrument may be recorded in the Bureau of Conveyances. The intent of this disclosure is to identify the debtor in instances where there are similar names involved.

This bill would prevent full access to an individual's social security number contained on a judgment, order or decree by requiring that only the last four digits of the social security number be used and lessens the likelihood of identity theft for requiring an individual's social security number on a judgment, order, or decree.

The Department strongly supports this measure with the requested amendment.

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March 26, 2008

TO: Representative Tommy Waters
Chair, House Committee on Judiciary
Hawaii State Capitol, Room 320
Via Email: JUDtestimony@Capitol.hawaii.gov

FROM: Gary Slovin

RE: S.B. 3092, SD1 - Relating to Social Security Number
Hearing Date: Thursday, March 27, 2008 @ 2:25 p.m., Room 302

Dear Chair Waters and Members of the Committee on Judiciary:

I am Gary Slovin testifying on behalf of the Consumer Data Industry Association. Founded in 1906, the Consumer Data Industry Association (CDIA) is the international trade association that represents more than 400 consumer data companies. CDIA members represent the nation's leading institutions in credit reporting, mortgage reporting, check verification, fraud prevention, risk management, employment reporting, tenant screening and collection services.

S.B. 3092, SD1 would require all judgments and liens that are filed with the Bureau of Conveyances or Land Court to include only the last four digits of the Social Security number. CDIA believes that this proposal would have some significant unintended consequences for Hawaii.

By way of explanation, consumer reporting agencies match specific public records - liens and judgments - to the credit report regarding an individual because these records bear on an individual's credit worthiness. Before a lender extends a loan of tens of thousands or hundreds of thousands of dollars to someone, an analysis of credit worthiness must be made. Outstanding liens or judgments against the person may indicate that the person's ability to repay the loan may be significantly impaired.

If liens and judgments do not come to light during the loan approval process, lenders will find themselves with more loans that go into default. The costs from the additional

March 26, 2008

Page 2

defaults must be shared among the lender's other loans, which then means that the other Hawaii borrowers have to pay more for their loans to cover the higher costs of the people with undiscovered liens and judgments.

Furthermore, if the liens and judgments cannot be matched to an individual, the ability to enforce the lien or judgment is diminished. Therefore, the purpose of filing a lien or judgment is undermined by the removal of important identifying information.

Consumer reporting agencies use several key pieces of identifying information to match a public record to a credit file, but the only piece of identifying information that is unique to the individual is the Social Security number. Every other element - name, address, date of birth - changes and/or is not unique. The Social Security number is critical to identifying a person, though not the only element that is used.

Consumer reporting agencies take great effort to ensure that the information they provide is accurate, current and complete. In fact, the Fair Credit Reporting Act requires a consumer reporting agency to have reasonable procedures "to assure maximum possible accuracy of the information concerning the individual about whom the report relates" (15 USC Section 1681(e)(a)). The full Social Security number is critical to accurately match the public record to the correct credit file. While truncating a Social Security number so that only the last four are available may sound like a compromise, surprisingly very few additional records can be matched to the exacting standards of the agencies using only truncated numbers. The benefit of truncation is marginal.

To illustrate why CRAs must have the full SSN to ensure that its customers, including preschools, senior care homes, financial institutions, have the information they need to ensure the safety and the interests of the people they serve, we would like to share the following:

In September 2003, a national CDIA member performed a test using 9,906 bankruptcy records. This company ran a test with and without the SSN. With an SSN, name and full or partial address (some court records were missing city, state or zip information) the company was able to accurately match 99.82% of the records. Without the SSN, 25.71% failed an identification/authentication match (6.11% were due to an incomplete address/no SSN and an additional 19.60% failed due to the lack of an SSN).

000077

March 26, 2008
Page 3

The company also conducted an analysis using the last four digits of the SSN in identifying the correct consumer. According to the company, "searching our database on only the last 4 digits identifies too many possible false-positive candidate consumers to be evaluated. Therefore we had to omit this search option and consequently miss any consumer matches that the 9 digit SSN would provide."

Using the 4 digit SSN in the company's match evaluation was also analyzed. The following is an anonymous example of an actual search:

Record: Chapter 7 bankruptcy for Juan Gonzales, 100 Main St., Orange CA, SSN XXX-XX-4587.

On file data:

Juan B. Gonzales, 100 Main St, Orange, CA, SS XXX-XX-4587

Juan R. Gonzales, 100 Main St, Apt 22, Orange, CA SS XXX-XX-4589

Juan Gonzales, 201 Main St, Orange, CA SS XXX-XX-4587

Juan B. Gonzales, 100 Main St, Orange, CA SS XXX-XX-4887

In addition, the justification in S.B. 3092, SD1 is based on a misunderstanding. Fraudsters practically never use public records in order to perpetrate identity fraud because there is not enough information even in a record that contains a full Social Security number. In fact, a public record with a full Social Security number can help prevent true identity theft because it provides an authentic record against which a fraudulent application could be challenged. While it may seem counter-intuitive, the response to fraud relies on more information, not less.

S.B. 3092, SD1 sets a bad precedent for redaction of SSNs. CDIA believes there may well be severe consequences to truncating or eliminating the use of social security numbers in public records. Criminal background checks will not be as effective. The consequences of a person with a criminal past getting through such a check could well be very harmful. Persons committing fraud would benefit from this as credit checks could not be as effective. These severe consequences need to be balanced against the questionable benefits of diluting the effect of social security numbers. CDIA knows its position is not a popular one but the effort to prevent ID theft needs to be balanced against these unintended consequences.

000078

March 26, 2008

Page 4

In February 2008, Javelin Strategy & Research released a report titled "2008 Identity Fraud Survey Report". Javelin's research found that 33% of identity theft fraud was due to lost or stolen wallets and that the majority of thefts occur via physical methods, such as "shoulder surfing" (eavesdropping by a criminal while you conduct a public transaction). Javelin also found an increase in attempts at identity theft over the phone called "vishing" which is when a person pretending to be a representative from your financial institution or credit card company asks for your personal information over the phone. Efforts by government to educate consumers on how to protect their personal information have proven effective in several states. Given these findings, we urge the legislature to encourage or even mandate that the appropriate state agency take the lead in reaching out to consumers via public service announcements and community outreach programs.

For these reasons, CDIA would respectfully recommend that consumer reporting agencies continue to have access to the liens and judgments with a full Social Security number. We would be glad to work with the members of the committee to find a mutually acceptable resolution. Thank you very much for this opportunity to submit testimony.

000070